

Decay or defeat ? : an inquiry into the Portuguese decline in Asia 1580-1645

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CHAPTER X

THE BALANCE SHEET

The reader who is familiar with the subject will already have recognized that the conclusions of this inquiry must deviate considerably from the generally accepted view of the history of 'the downfall of the Portuguese seaborne empire' or that of 'the early Dutch expansion in Asia'.

To begin with, there was, of course, no Portuguese 'empire'. Instead, one can identify three institutions and at least two interest groups that benefitted from having some association with the Portuguese presence in Asia. They all went into decline, but for different reasons and at different times.

The Casa da Índia and the Carreira da Índia

The financing of the *Carreira da Índia* was interwoven with the Genoese *asiento* business in Antwerp, which lent money to the Castilian crown to pay the Spanish troops in the Netherlands.

Before 1600

Until 1600 the Casa da Índia took care of the outfitting of the ships, but a consortium of contractors was responsible for providing the 'pepper money' and for the purchases, loading and transport of the pepper. Once the cargo had arrived in Lisbon, it was sold in part or in its entirety to the Casa da Índia against a pre-established intermediate price. They, in turn, sold the pepper at a pre-established contract price or for the price they could get, either back to the same contractors or to others.

In Goa the participants in the consortium bought for their own account cottons, silk, spices and precious stones. Upon arrival in Lisbon they paid the import and export duties to the Casa da Índia and from thereon were free to sell their merchandise wherever they wished. The conclusion of this study is that the import value of this private trade must at least have been 2.5 times the value of the pepper.

As from 1587 Portuguese merchants participated in this Asian contract, together with foreign financiers, but in 1593 they took it over. At that time, after its recapture by Parma, and during its so-called 'blockade', Antwerp thrived on financial services and on the trade in small-volume but high-value commodities such as pepper, spices, sugar, diamonds and other precious stones. The Portuguese merchants sold their pepper, spices and precious stones in or via Antwerp and were thus able to participate in the Genoese asientos, destined for the payment of the Spanish troops in the Netherlands.

During the 1590s the *Carreira da Índia* was at low ebb, due to the low number of departures from Lisbon and heavy losses of ships on the return voyage. Furthermore this decade thereby became a critical one, because the English and Dutch set out to find their own way to the Indies.

The early Dutch voyages were not initiated by the so-called 'blockade' of the Scheldt or the embargoes on the Dutch freight traffic to the Iberian peninsula because, until 1621, the Dutch continued to have almost free access to the Lisbon market. With

the uncertainty in the supplies to and from Lisbon during the 1590s, the first Dutch voyages to the Indies must therefore rather be seen as a matter of good business sense, or, as one could call it, 'commercial strategy'. If the Dutch had not acted, the English would have taken the lead or the Hanze might have taken a greater share of traffic between Lisbon and the Baltic.

Whereas the fall of Antwerp did not initiate the Dutch voyages to the Indies, it certainly caused the immigration of southern Netherlanders with their capital into the Dutch Republic. It was this capital that allowed a relatively fast take-off of the Dutch trade to the Indies, enabling the Netherlanders to become the main rivals of the Portuguese spice and pepper trade.

Notwithstanding the crisis of the 1590s the Portuguese Carreira contract remained beneficial for both parties since they both made substantial profits during the decade and the Casa da Índia could compensate the lower pepper revenues with the increasing import duties. In fact, the two parties, each minding their own business, worked better than a combined fully privatized enterprise would have done.

1600-1620

In 1597 the negotiations for a new contract failed and, with the ascendence of Philip III, all the responsibilites for the Carreira da Índia and the pepper sales fell back into the hands of the Casa da Índia.

At first sight the change appeared to be a great success. Until the middle of the 1620s, in terms of departures to Índia, one can speak of a complete recovery. However, the shipping losses were very high, in particular on the outward voyage: a sign that the supervision during building and outfitting and/or the pilotage were bad. In order to cover the costs, the Casa da Índia had to set the price for its pepper far above the Dutch contract prices.

The Portuguese merchants continued to make use of the Carreira for the transport of their Asian merchandise because to a large extent, is was the positive result of the private trading networks in Asia and there was no alternative for its shipment to Europe. Their main contribution to the costs of the Carreira was still the import duties, but now they also had to pay some minor freight charges.

From a commercial point of view, their interest in the 'royal' pepper was limited, but as before 1600, the profits they made on their own merchandise gave them quite some room for manoeuvre.

The majority of the Portuguese merchants involved in the Carreira da Índia were New Christians, who since the ascendance of Philip II to the Portuguese throne, had attempted, via the Castilian court and the Vatican, to obtain 'equal civil rights'. The Portuguese authorities had always thwarted these attempts, but with Philip III taking over they saw new opportunities, in particular because in Castile the attitude towards conversos was changing.

Their desire for 'equal rights' and the wish to stay in the asiento business in Antwerp induced the Portuguese merchants to pay high prices for the pepper, which they were forced to pay in Brussels.

This did not necessarily mean that the Castilian treasury was robbing the *Casa da Índia*. As long as it maintained its link with the Genoese bankers in Madrid it could ask them to send the necessary

funds to Lisbon and compensate the Genoese with *vellón* and *juros*. Rather it meant that the money required for the outfitting of the *Carreira da Índia* arrived late in Lisbon, and that if there were any problems with the Genoese bankers there would be no money at all. To keep the *Carreira* going the Portuguese merchants therefore often went one step further and provided loans and large gifts.

The degree of success of the New Christian endeavours was varying. In 1601 the Portuguese borders were opened for them; in 1604 the prisoners of the Inquisition were released but in 1610 their freedom of travel was limited again. Understandably, the Portuguese merchants hesitated to continue to buy the pepper at high fixed prices, when the European market prices, due to the Dutch competition, dwindled. Yet a large number of them was forced to accept the annual pepper allotment at a dictated price, which could be 10 to 40 per cent above the price set by the VOC. In 1618, when they refused to accept this situation any longer, a number of them were imprisoned until they accepted to provide from hereon compulsory loans as a means of financing the Carreira da Índia.

The 1620s.

During the 1620s the *Carreira da Índia* continued to be run as just described, but it came under heavy pressure which, by the end of the decade, led to a sudden crash.

In the first place, contrary to Castile, the anti-Semitic atmosphere in Portugal had not diminished. In 1619, when Philip III, for the first time since 1581, had called the Portuguese Cortes together to obtain recognition of his son and heir and to ask for a direct subsidy, the three estates not only reiterated their old themes, but even demanded expulsion of the New Christians and confiscation of their property.

In the second place, the performance of the *Carreira* was worse than ever. Lack of people caused delays in the departures, and of the sixty ships leaving Lisbon (already a low number compared to previous decades), thirteen had to turn back, eleven were lost on the way out, nine were kept in Asia for the defence of the *Estado da Índia*, and eight were lost on the return voyage so that only nineteen made the roundtrip and returned to Lisbon. Dutch and English violence contributed only to a limited extent to these losses: a total of four.

In the third place, the Dutch competitors were flooding the European market with pepper; in 1627 and '28 the prices in Europe were lower than ever, whilst the price the Portuguese had to pay in Kanara was higher than ever.

Finally, at the end of the Twelve Years' Truce, the build up of the Castilian war machine, with Armadas that had to be brought to life again and enlarged and new troops that had to be recruited, was a considerable burden for the Castilian treasury.

The royal share of the silver coming from the Americas was less than in the previous decade, but this could be compensated for with the private silver that arrived in Sevilla. When the Genoese bankers were reluctant to provide any further loans, this problem could be solved by sequestrating their silver and reimbursing them with vellón or juros.

Nevertheless, silver was scarce and in 1626 it had a 50 per cent premium. In that year the first Portuguese bankers were accepted as direct asentistas to the Castilian crown and devaluation and withdrawal of half of the $vell\acute{o}n$ that was in circulation alleviated

the 'national' indebtedness further. However, in 1628 Piet Heyn's capture of the silver fleet disturbed this new financial equilibrium. The resultant loss of silver had no long term effect, because the system was flexible enough to compensate with new supplies, but it certainly required quick action: not being able to pay the troops was an experience one did not wish to live through again.

The Portuguese who were still keeping the *Carreira da Índia* 'on stream', were quite eager to set foot in the *asiento* business in Madrid and finally provided the necessary funds against a premium of only 15 per cent. In exchange all New Christians obtained, by proclamation, free access to the Castilian empire.

The Portuguese merchants who moved to Madrid and Sevilla turned their backs on the Carreira da Índia. The Portuguese Índia Company, which was intended to take the whole Carreira business out of the hands of the Casa da Índia and to put it into the hands of private merchants, also failed to get their financial support. They knew that under the conditions offered, a company concentrating solely on pepper and spices would not be viable.

Conclusion

The decline of the Carreira da Índia began in the 1620s and in its decisive moment it can be directly attributed to the 'walk-out' of the New Christians. The bad performance of the Carreira ships and the fact that the financiers were squeezed between the high prices which they had to pay for pepper and the lower prices of the Dutch competition contributed to this decision. However, the main factors were the prevailing anti-Semitism in Portugal and the attractive prospect of leaving Portugal and of achieving a higher status and living a better life as financiers of the Castilian crown.

The Estado da Índia

The fact that the *Estado da Índia* was accepted and allowed to maintain a presence at so many different locations amongst the large Asian communities was based on mutual interest. Not only the Portuguese trade and royal *padroãdo* (i.e. the mission), but also the indigenous merchants and the local rulers enjoyed its military protection. Import duties and the *cartaz* system paid for this 'protective shield' which was by far not large enough to cover the Portuguese presence everywhere in Asia.

Before 1636

The first basic problem of the *Estado da Índia* was one of numbers, the second the motivation of the people who went there.

The increasing flow of emigrants to Brazil was an unavoidable trend and the long-term outcome for the *Estado da Índia* was in that sense predictable. During the Iberian crisis of the 1590s India received a large injection of fresh blood, but during the 1620s the preference for Brazil was very clear. The number of fresh immigrants into India was no longer enough to keep up with the numbers that returned home and the death rate of those who stayed behind, so that even the *Carreira da Índia* was running out of people that could man its ships.

Portuguese tax revenues confirm that the emigrants going to

Brazil went there to take part actively in an expanding economy. The emigrants going west were settlers, those going east departed with the intention to return home after they had amassed their fortune.

Generally speaking the quick-footed fortune seeker is not very much concerned about the future of the place or society in which he is sojourning. This is why the general impression one gets of the way the *Estado da Índia* was being run, at least during the period 1580-1645, is not a very good one. Stories prevail about the poor treatment of the 'soldiers', the corruption and profiteering amongst officials and the total lack of loyalty to the common goal.

So, the Estado da Índia withered from within and its revenues were squandered, rather than being spent on maintenance of fortresses, cannons, ships or recruitment and training of soldiers. The question is did it make any difference? The answer has to be: 'with the exception of the loss of Hormuz and at least until 1640, hardly'.

Although the towns and fortresses of the *Estado da Índia* became emptier and emptier, the walls remained upright and were almost symbolic for the Portuguese who continued to live in these half empty shells. The desire to preserve honour and reputation was a strong motivation to get on with 'business as usual'.

During the 1610s or '20s the VOC surpassed the Carreira da Índia in number and tonnage of ships sent to and retained in Asia. However, notwithstanding the anti-Portuguese rhetoric in the Netherlands, there were only a few occasions when these ships were used against the fortifications of the Estado. Even where these were undermanned and almost without defence, attack from the seaside without assistance from the landside required large manpower. Until the end of the 1630s the military and naval power of the Dutch in Asia was not considered strong enough to take advantage of the weaknesses of the Estado.

Instead, from 1613, when they failed to take Ternate from the Spaniards, until about 1625, a large number of the Dutch vessels were used for privateering around the Philippines. Thereafter the Dutch were mainly focussing on the Chinese silk trade.

After 1636

In the 1630s, processes of expansion and state formation in Asia began to have serious consequences for the relationships of the *Estado* and the Portuguese merchants with their Asian environment. Due to the Dutch and English privateering on the vessels of Portuguese and indigenous traders the *Estado* lost prestige. The new English and Dutch factories in Surat had a similar effect and the fall of Hormuz had made it worse. The English and Dutch were coming to the forefront as possible alternatives for the European connection.

At the same time, the Moghul expansion was causing shifts in the many balances of power in Índia and it became even threatening for the continuation of the Portuguese <code>Estado</code>. Under these circumstances, where new alliances could be made and new markets could be entered, VOC representatives were sent to the indigenous courts and they used their diplomatic skills to the utmost. One of their achievements was, in 1637, a VOC establishment in Vengurla, which, as a refreshment station, became absolutely essential in the continuous blockades of Goa. Other examples were the alliance with the sultan of Johore during the siege of Malacca and the right

of trade in Ceylon, in exchange for military assistance against the Portuguese. Even in Japan, where for some time the Dutch were in disgrace, they were able to make use of the discontent with the Portuguese, offering themselves as an alternative channel for contacts with the West. Contrary to the instructions Amsterdam, in 1636 Governor-General Van Diemen no longer limited himself to privateering. He took it upon himself to use the available shipping and manpower to orchestrate a strategic attack on Malacca and Ceylon, at the same time blockading Goa to prevent the Estado in Goa from sending assistance. During the Malacca siege its inhabitants demonstrated heroism and endurance that everything that has ever been written or said about the inherent weaknesses of the Estado. For a short time, Van Diemen's strategic warfare was interrupted by the truce after the Portuguese Restoration, but it was continued soon thereafter.

As from 1652 the Anglo-Dutch conflicts automatically led to a common Anglo-Portuguese interest and further Dutch aggression against the weakest partner. The relatively easy conquests, in the 1650s and 60s, of Colombo, Jaffna, Negapatnam, Tuticorin, Quilon, Cannanore and Cochin show that the Portuguese who were living in those places were tired of war. They did not get any support from Goa, let alone from Lisbon, and by now the Dutch were superior, even on land. For some time at least, the loss of Cochin brought an end to the decline of the Estado da Índia.

Conclusion

Until 1636 the decline of the *Estado da Índia* remained limited to the insignificant loss of the Moluccas and the much more important fall of Hormuz, which, however, could be partly replaced by Muscat. The Dutch 'threat' in terms of the numbers of ships sent to Asia, was not directed against the *Estado da Índia*.

During the 1630s, the many political changes in Asia created possibilities for new alliances, which were jumped upon by the English and the Dutch, at the cost of the $Estado\ da\ Índia$ and the Portuguese private merchants. Beginning with the fall of Malacca in 1641, its decline ended in 1663 with the fall of Cochin.

The Portuguese intra-Asian trade

The Portuguese merchants were living either under the full protection of the *Estado*, as on the West coast of Índia or in Hormuz, Malacca and a number of places in Ceylon, or in places where they enjoyed only limited protection and attendance, such as the Moluccas, Masulipatam, São Thomé de Meliapur and Macao, or in places like Hughli and Macassar where they were without any protection at all.

Before 1636

The Portuguese merchants, together with the indigenous traders and their crews, suffered heavy losses after the Dutch arrival on the Asiatic scene. This was the consequence of the consistent policy of the VOC to use privateering as a tool to contain competition and to create a positive cash flow.

During the first thirty years of the existence of the VOC, the way the participants received their dividends gave them reasons

to complain and to ask for the return of their investment. This was completely in accordance with the company's charter. They expected each fleet to give its own return on investment and were suspicious of embezzlement of the profits. The bewindhebbers explained that the costs of sending more and bigger ships to wage war against the Iberians in Asia were so costly, that they could not afford to turn out any dividends. To a certain extent they were both right and both arguments have been accepted by Dutch historiography.

As far as the excuse of the VOC directors is concerned, it should be noted, however, that although the cost per ton of freight was higher than that of the early voyages, the amount of money the so-called 'offensive' fleets took with them (again per ton of freight) was about the same as the most successful of the early voyages. In other words: they expected them to come back fully laden with riches from the East, and (except for the vessels that were lost in combat) so they did.

During the late 1590's, when the *Carreira da Índia* was performing badly, the early Dutch companies had made great profits, but during the first two decades of the seventeenth century, after the sharp revival of the *Carreira*, the two enterprises together caused surpluses on the European pepper and spice market which had detrimental effects on price.

The bewindhebbers were already very much aware of the problem when, during the Twelve Years' Truce, they asked for subsidies and ships to defend themselves against 'Portuguese aggression'.

In the course of time they developed different answers to the different situations under which they had to compete. Because the Portuguese were in the Castilian camp the States-General could be expected to subsidize with money and ships. Building up a military presence in the East and blocking Portuguese access to the Asian sources of supply or chasing their vessels once they were loaded with the desired products, became therefore an attractive option.

In fact, they had only limited success. Just before the Truce of 1609, the Moluccas and Banda were mentioned as 'the targets the VOC was shooting at'. However, attempts to get full control over the clove trade were thwarted by the Portuguese and Asian merchants who moved to Macassar and by the natives of the islands that had remained outside VOC control. Until the Ternatan war against Macassar during the 1640s put a halt to it, privateering on their ships was the only tool the VOC had to contain competition in the cloves market and it was rather inadequate.

Secondly, what should have become a concentrated effort against the Portuguese, became a rather diffuse attempt, once the idea was born that privateering against the Portuguese private trade in general but also against the Castilians and Chinese around the Philippines, should deliver improvement in the business results. In 1614 the States-General expressed their full support for this idea by issuing a general commission for privateering against the Portuguese and the Castilians. For at least ten years thereafter, the VOC continued to advocate privateering, also against the 'friends' of the Iberians (the indigenous traders), as a means to generate income.

The damage to the intra-Asian trade, caused by Dutch privateering remained limited compared to the total trading volumes but during the first twenty years of its existence, the income it created for the Company, not counting the costs, was more than half the amount of silver it had to send to Asia.

Against the Spaniards the blockades of Manila had no success at all: the 1620s and 1630s were the peak years for the public revenues sent from Mexico to the Philippines and during the 1620s these were even exceeded by far by the officially recorded quantities of private silver.

At the same time, privateering against the Chinese began to serve another purpose: to divert their silk trade from Manila to Batavia and Formosa. To a limited extent, this seems to have had some success. During the 1620s, the total volume of the trade between mainland China and the Philippines shrank by about fifteen tons of silver (out of thirty-five) per annum, but even in the words of Coen the spoils of privateering were insufficient to cover the costs.

During the end 1620s, with the amount of shipping and men it had available in Asia, the VOC began to think about a more effective approach to open trade with China. A personal initiative of Governor-General Coen to conquer Macao, the main centre of Portuguese trade in the Far East, failed however. Following the Macao failure, the island of Formosa was finally chosen as a VOC pied-a-terre, but it would take until 1636 before the Dutch could lay their hands on the first delivery of silk from the Chinese mainland.

Privateering or piracy?

What the States-General and the VOC described as privateering has often been regarded, also by modern historians, as piracy. In fact, those who recognized the States-General as the lawful successors of the Habsburg government called it privateering; those who did not called it piracy.

From the beginning, the States-General of the Dutch Republic supported the voyages to the Indies, because they saw it as a way to thwart the Iberian empire and they also had this objective in mind when they advocated the establishment of the VOC. They insisted that the ships to the Indies should be armed, provided with the necessary cannon, and left no doubt about their intentions with in increasingly warlike commissions to the captains, which were openly directed against the Iberians. The bewindhebbers of the early voyages refused to accept this policy, but the Heeren XVII adapted very quickly to the strategy of the States-General, because it suited them in their attempt to constrain competition and to create additional income. In 1614 the States-General issued a general commission to the VOC for privateering against the Iberians. This gave all VOC ships the right of privateering under the condition that the booty would be shared according certain rules, to the benefit of the state, the Admiral-General cum the prince Stadhouder, the VOC, the captain and his crew.

After 1636

Until 1636 very little happened that really had a major impact on the Portuguese private trade. However, with Van Diemen's strategic warfare, difficulties began.

The Portuguese found all kinds of ways to elude the blockades of Goa and Malacca, if necessary with the help of the English, but the confrontations certainly made life more difficult for them. The fall of Malacca was a major loss, both for the *Estado* and the Portuguese trade but the Portuguese were adaptable enough to live

with a new situation, where, instead of paying their duties to the $capit\tilde{a}o-m\acute{o}r$ of Malacca they had to hand these over to the VOC officials.

The greatest disaster that befell the Portuguese merchants, especially 'those from Macao', was the loss of the prime mover in the intra-Asian trade: the China-Japan trade. Here again processes of expansion, state formation and concentration of power made the incumbent Tokugawa shogun hosts distrustful towards the existing alliances and the Portuguese trading partners. After initial failures, the Dutch were able through skilful diplomacy, to use the new situation to improve their own position, at the expense of the Portuguese.

Finally, the Restoration of 1640 put an end to the Portuguese-Spanish connection between Macao and Manila and the Manchu invasion into China did the rest in damaging the Macao trade.

After their settlements or towns had been conquered by the Dutch, the Portuguese citizens and their clergy and administration either asked to be transported to or were forced to move to other locations within the *Estado*. Others were even brought back to Europe.

Those who stayed behind returned to business and, from the 1650s, many of them crossed over to the English settlements, where they were allowed to participate in the Asian trade. As ethnic 'Portuguese' they gradually dissipated into the Asian environment, but their descendants can still be found on the West and East coasts of Southern Índia, in Sri Lanka, the Malay peninsula, Macao, and many other places of former Portuguese power. They still carry Portuguese family names and many of them are still Roman Catholic.¹

Conclusion

Dutch privateering, as a means to inflict losses and create additional income, had some impact on the Portuguese and native trade in Asia, but it could not stop it. Open warfare against Macassar and the conquest of the major establishments of the *Estado* were the only means to put a halt to the Portuguese private trade. Even so, the Portuguese merchants and their networks were flexible enough to adapt to new situations and the decline of the Portuguese intra-Asia trade was a long-drawn affair, even after the loss of the China-Japan trade.

The Portuguese mentality

As compared to the dynamic developments in Dutch society during the sixteenth and seventeenth centuries, Portuguese society was stagnant. Everything and everybody had its place in the world and even the Habsburg regime could not change that. Until the end of the seventeenth century at least, the Portuguese nobility, the clergy and the third estate represented by the town councillors (the povo), were able to maintain the existing division of power, the distribution of income and the prevailing mentality. During the Philippine period the Cortes may have lost in significance in the way the monarchy maintained communication with the institutions of government, but after the Restoration of 1640 the three estates bounced back and retook their previous places.

During the period under review the ancient regime mentality

¹ See on this subject e.g. J. van Goor, De Nederlandse koloniën. Geschiedenis van de Nederlandse expansie 1600-1975 (Bilthoven 1997) 163.

expressed itself in the formal ceremonial expression of loyalty to the crown, but also in the lack of loyalty in daily practice when other options, like corruption and the chase for personal honour or reputation opened the way to higher rewards at the cost of the common goal. All these weaknesses in the Portuguese administration were contributing factors in the final stages of the Portuguese demise.

What turned the scale as far as the Carreira da Índia was concerned, was the insistence of the Portuguese treasury and the Casa da Índia on regarding the shipping route as their domain, without providing the necessary funds and, of course, the never absent anti-Semitism.

The Counter Reformation certainly will have reinforced the feelings that existed in the past. Anti-Semitism had become institutional in the time of Cardinal Dom Henrique, the reiinquisitador, when it found its full legitimacy in the Inquisition, which in Portugal acted as an autonomous institution. The anti-Semitic policies of the Portuguese administration during the sixteenth century and two centuries thereafter, were a product of this development. In daily life, however, jealousy or economic and competitive motives prompted the expressions of anti-Semitism.

Conclusion

Anti-Semitism and the idea, which prevailed in the Portuguese treasury and the Casa da Índia, that the royal monopoly on the navigation and trade to Índia should be preserved at all costs, were crucial factors in the decline of the Careirra da Índia.

The Philippine period

Administration and government

During the years 1580-1640 Portugal formed part of the Habsburg empire, but its administrative and financial institutions remained independent and it kept its own coinage and mint.

Some of the officials may have been the king's favourites, but institutions like the Portuguese Council in Madrid, the Portuguese Treasury, the Estado da Índia and the Casa da Índia, were all manned and managed by Portuguese. For historians it is difficult to be impressed by the king's letters to Índia, because most of them are uninteresting and boring, but they were mostly also written and signed by higher Portuguese civil servants.

Portuguese historiography tends to circumvent the period of 'Philippine administration' as a kind of black hole, from where the survivors re-appeared and took their places again after the Restoration of 1640, but, clearly, those years form part of Portuguese history.

Finance

The Castilian complaints that the Portuguese treasury never contributed to the 'common goal' suggest that the financial losses of Portugal due to the Habsburg intervention must have been minimal. Therefore, this inquiry has started from the assumption that the Habsburg kings were, contrary to what is sometimes suggested, no embezzlers of Portuguese State revenues. In the course of this investigation no evidence has been found that it would have been

otherwise.

One way for the monarch to obtain financial support from the Portuguese was the old medieval routine of calling the *Cortes* together, stating the requirements and listening in turn to the requests of the three estates for new privileges and concessions. In view of the time this could take, it is no wonder that during the Philippine period the *Cortes* was convened only twice: the first time in 1581 and again in 1619.

The other route was to use Portuguese institutions for something that was basically a Castilian interest. For instance, it is highly probable and generally taken for granted that the costs of the Portuguese participation in the Spanish Armadas and of the protection of the Portuguese coastal waters were born by the Portuguese treasury, but there is apparently no evidence that this was indeed the case.

The increasing burden of juros makes one also suspicious. It suggests a mingling of interests, which are difficult to separate. The same goes for the manipulations during the time of Philip III, who instead of financing the Carreira da Índia is said to have used the money to pay his troops in Flanders. On the other hand, it remains quite remarkable that most of the money the New Christians contributed to receive their 'indulgence' would have gone to the Carreira, rather than being used for other purposes. To make a judgement on this matter one cannot rely just on one piece of evidence, or do some selective research. Much more work should be done to piece together the picture of the complex monetary circuits in Europe, which served so many purposes.

Besides the Portuguese participation in the Spanish Armadas, which may have had a negative effect on the shipbuilding for the Carreira da Índia, there are three occasions where Castilian interference had a serious impact on the economic and financial position of Portugal.

In the first place, the shipping embargo and the revival of the Castilian war effort in 1621, which not only had a severe impact on the Dutch freight traffic and therefore on the exports of salt from Portugal, but also, for about three years, on the flow of silver to the Portuguese mint.

Secondly, in 1628, the opening up of the Castilian empire to New Christians, which caused an outflow of business talent, bullion and money, and the next shock to the Casa da Moeda.

Thirdly, two years later, Lisbon's loss of its position as an important financial centre, when the transport of Spanish silver destined for the southern Netherlands was re-directed, with English ships, directly from Cádiz via Dover and London.

The population

Compared to the rest of Europe, with its raging wars, the majority of the Portuguese did rather well under Habsburg rule. With the Portuguese monarchy and the greater part of the warlike aristocracy out of the way, the population enjoyed a relatively peaceful existence. For Habsburg Castile the 1590s were years of demographic, political and military crisis, but Portugal was hardly affected. It suffered similar famines and epidemics, but its population grew faster than that of Spain and those who found it hard to survive in Portugal had the option left to emigrate, preferably to Madeira, the Azores and Brazil. The 'national' debt increased, but, quite contrary to Castile, the value of the Portuguese coinage and thereby

the inland economy, remained stable throughout the Habsburg period. The first devaluation took place immediately after the Bragança monarchy had taken over.

The category that suffered most from the Habsburg rule was the lower aristocracy. With the exception of those who served at the Castilian court, the Portuguese fidalgos lost their direct protection from the crown. Their positions in the Portuguese administrative institutions were taken over by letrados or by people who bought their positions. Their resultant lack of loyalty characterized the attitudes of the Portuguese nobility under a variety of circumstances: as servants in the Estado da Índia, as on-lookers in the Evora revolt of 1637 and in 1640 as 'conscientious objectors' against the Castilian suppression of the Catalonian revolt. The last occasion where the Portuguese nobility gave an enthusiastic response was the reconquest of Bahia in 1625, where anti-Semitic feelings appear to have been the main motivation.

What if?

One could argue that the Iberian union was the main cause of the Portuguese decline in Asia. This leads to interesting but endless speculation: all Portuguese were suddenly seen as the co-opted brothers of the belligerent Castilians. If they had not wasted their time (if they did) with outfitting a part of the Spanish Armadas, the Carreira would not have run out of ships during the 1590s and the Dutch and English would not have initiated their own voyages to the Indies and so on. All these arguments can be countered by the proposition that the United Provinces would still have had the influx of capital from the South Netherlands and that the time was ripe for investing that capital in more risky ventures than just the production of cloth. The States-General might have given less support, but the end result would probably have been the same.

Conclusion

Portuguese economy and finance were not dragged down in the Castilian vortex. They contributed very little to the Castilian war effort and with the exception of the nobility, for the majority of people the Habsburg regime appears to have been beneficial, not in the least for the New Christians.

The king's preference

Portugal in Castilian perspective

Around 1600 the total of the Portuguese revenues was more or less equivalent to the amount of public silver that arrived from America, which, in turn, was only a small part of the total Castilian budget. The Portuguese revenues from the Atlantic business amounted to about 25 per cent and that of the Carreira da Índia to about 15 per cent of the Castilian public silver revenues. As far as overseas' business was concerned, the Castilian monarchy was probably more interested in the undisturbed supply of the private silver, which amounted to about two to three times the public quantities, than in the revenues coming from the Portuguese Carreira da Índia.

In the minds of the Castilians, Portuguese interests must have appeared of less significance compared to their own. It seems

therefore logical, as is often suggested, that the Habsburgs would have concentrated their efforts on the Spanish Americas, with the Atlantic Basin second and the affairs of Portuguese *Estado da Índia* at the tail end.

Castilian support

As a point of fact, in 1605 the Castilians began at the tail end by taking the greater part of the Moluccas back after the Portuguese had lost them. Later attempts to chase the Dutch away from the spice islands failed, partly because the Portuguese could not or would not co-operate. Furthermore, during the negotiations for the Twelve Years' Truce, the protection of Portuguese commerce in Asia stood almost number one on their agenda.

The most successful occasion where the Castilians took the lead was in South America with the reconquest of Bahia, mentioned above. As long as the Dutch had any footing in Brazil, the Castilians had a well-justified fear that they might use it as a base for their fleets and, consequently, as a springboard to the Spanish Americas. They therefore had a clear self-interest in this undertaking, but it was also the first time that the Portuguese treasury and its nobility participated.

One would expect that the Castilian contribution to all these enterprises, on behalf of the Portuguese, should somehow be reflected in the accounts of the Portuguese treasury, but apparently they were not. The Iberian union became more a burden than an advantage for the Castilian treasury.

Conclusion

Castile spent more time, money and effort on defending Portuguese overseas' interests than the other way round. Logically, once the Dutch had set foot in Brazil, its main concern became the protection of its own interests in the Americas.

The flows of bullion

The seventeenth century crisis

The 1630s were a period of expansion, decline, upheaval, and crisis in many places of the world. The work of Hamilton has reinforced that impression, and it is not unusual to speak of a European 'seventeenth century crisis'. If there was one, it would have been directly connected with the flows of bullion from the Americas and one might therefore wonder whether the Carreira or Estado da Índia were not one of its victims.

For the convenience of the reader the relevant data have been extracted from various tables and are presented in appendix 10.1.

These data make it abundantly clear that there was no long-term bullion crisis in Europe, at least not during the first half of the seventeenth century. Until 1640 the public revenues and the private silver from Mexico and Peru that were sent to Europe more or less complemented each other. During the 1630s there was a peak in public silver sent to Europe, but it came back to normal again during the 1640s. Both during the 1630s and 1640s a greater part of the private silver was retained in the Americas or disappeared through 'illegal' channels.

The various mishaps that befell the silver fleets around the

year 1630 do not show in the averages of the decades. The supply system was flexible enough to recoup the losses. However, in the short term they caused very serious bottlenecks, which required immediate action because of the high level of indebtedness of the Castilian treasury and the high premiums that had to be paid for the silver from the Genoese bankers. As already shown the Portuguese New Christians provided the solution and the competition against the Genoese bankers, which was so much desired by Olivares.

Silver for China?

Where did the silver that was sent to Europe go? If one may believe André Gunder Frank, it went all to China. Whether there is any truth in his assertion is highly debatable. He is totally wrong for the period 1580-1645 and the flow of silver to China during that time certainly did not determine the fate of the Spanish, or Iberian empire.

On its way to Asia roughly one half of the total American production passed through Europe where it circulated, was buried and found again, re-circulated, etc., and this gave the European, and in particular the Dutch economy the opportunity to expand.

Of the total silver sent to Sevilla, about 10 per cent were spent in Lisbon on the purchase of slaves for South America. Furthermore, a considerable, but unknown part was spent on foreign goods destined for Mexico and South America and about 20 per cent went to the Levant, to cover the grain shortages on the Iberian peninsula.

Whilst the Castilians at home were left with copper as a means of payment, the Habsburg wars were the most effective way one can ever imagine to distribute the rest of the silver over Northern and Central Europe and the Mediterranean: in the second half of the 1620s about 58 per cent of the total silver imports went there as compensation for the remittances of the asentistas. During the 1630s this had risen to 79 per cent and in the 1640s this was still 65 per cent. Of the bullion that finally came into the hands of the Portuguese, English and Dutch, only a small part was sent to Índia, which was another temporary sink for silver and gold.

Until 1630, the Portuguese probably never sent more than 6 per cent of the total silver imports into Europe for their pepper and private purchases in Asia. During the 1610s and 1620s the Dutch were sending say, 5 per cent and the English less than half of that. During the 1630s the Dutch were able to get access to Japanese silver and their requirements in Europe diminished accordingly to about 4 per cent.

So, about 67 per cent of the imported silver remained in Europe and, possibly with the exception of the 20 per cent that went into the Baltic sink, contributed to its monetization and expanding economy. For quite some time, the Dutch Republic would get a major share of this.

On the Pacific side of the Americas, the lower production in Mexico and Peru during the 1610s and 1620s had no effect at all on the officially registered exports to the Philippines. Quite the contrary, these decades were the peak years for the private silver exports to the Philippines, whereas public exports had their peak during the 1620s and 1630s. In other words: the turn around for the private traders came after the 1630s, for the Mexican treasury after 1640. The total exports to the Philippines were most of the

time less than 10 per cent of the total quantity sent to Europe.

It is an interesting but still an open question how much silver the Portuguese merchants had to send to Asia for their cargoes to Europe. Did they have to bring European silver for their purchases in Asia or were they able to extract enough bullion out of the China-Japan trade? If the figures of the VOC exports from Japan are anything to go by, it may well be that the Portuguese merchants have been able to cover the larger part of their bullion requirements in Asia from there.

Japan was the main supplier of silver to China, but with the exception of the curious data for the years 1611-1630 presented by Reid, the quantities of Japan silver exports were never more than half that sent from the Americas to Europe.

Finally, the data in appendix 10.1 suggest that the total quantities of silver that were either retained in the Americas or exported illegally, were generally higher than the total quantities exported to Europe. The question as to where it went, unnoticed (!), will remain a source of paradigms and myths for many years to come.

Conclusion

During the period under consideration, the flow of American bullion from Mexico and Peru to Europe did not suffer from any serious decline. The major part of it went to the North and in the end the Dutch economy and the North Atlantic trade (including the Baltic and the North Sea) benefitted most.